

**EWEN-TROUT CREEK CONSOLIDATED  
SCHOOL DISTRICT**

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**Financial Report  
with Supplemental Information  
Prepared in Accordance with GASB 34**

**June 30, 2008**

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## **INDEPENDENT AUDITOR'S REPORT**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Education  
**Ewen-Trout Creek Consolidated School District**  
14312 Airport Road  
Ewen, Michigan 49925

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America, and with the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Education, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, at June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

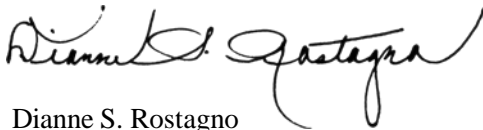
The accompanying financial statements have been prepared assuming that the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, will continue as a going concern. As discussed in Note 17 to the financial statements, the District has a General Fund deficit in the amount of \$1,523,608. This condition raises substantial doubt about its ability to continue as a going concern. Management's plan regarding this matter is also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 05, 2008, on our consideration of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control structure over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The administration's discussion and analysis and budgetary comparison information on pages 8 through 20 are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", written in a cursive style.

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

November 05, 2008

## **ADMINISTRATION'S DISCUSSION AND ANALYSIS**

# ***Ewen – Trout Creek Consolidated Schools***

## ***Office of Superintendent***

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**Ewen, MI 49925**

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The **Ewen-Trout Creek Consolidated School District** is a K-12 school district located in Ontonagon County, Michigan. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the **Ewen-Trout Creek Consolidated School District's** discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

### **Fund Financial Statements**

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds, including Debt Service and the School Service Funds, which are comprised of Food Service and Athletics.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term debt obligations are recorded as expenditures. Future years' debt obligations are not recorded.

### **District-wide Financial Statements**

The *District-wide Financial Statements* are full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Fund solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets on the *District-wide Financial Statements*.



# ***Ewen – Trout Creek Consolidated Schools***

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### **The School District as Trustee - Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **Summary of Net Assets:**

The following is a comparative summary of the net assets at fiscal years ended June 30, 2008 and June 30, 2007:

	<b><u>June 30, 2008</u></b>
<b><u>NET ASSETS SUMMARY</u></b>	
<b>Assets</b>	\$ 967990
Current Assets	
Capital Assets	10289456
Less: Accumulated Depreciation	<u>(2871909)</u>
Capital assets, net book value	7417547
<b>Total Assets</b>	<b>\$ <u>8385537</u></b>
<b>Liabilities</b>	
Current Liabilities	2273674
Long-term Liabilities	<u>6512832</u>
<b>Total Liabilities</b>	<b>\$ <u>8786506</u></b>

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### **Summary of Net Assets: (Continued)**

	<b><u>June 30, 2008</u></b>
<b><u>NET ASSETS SUMMARY (Continued)</u></b>	
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 800174
Restricted for Food Service	0
Restricted for Athletics	0
Restricted for Debt Service	635212
Unrestricted and Undesignated	<u>(1836355)</u>
<b>Total Net Assets</b>	<b>(400969)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>8385537</u></b>

	<b><u>June 30, 2007</u></b>
<b><u>NET ASSETS SUMMARY</u></b>	
<b>Assets</b>	
Current Assets	\$ 698163
Capital Assets	10278814
Less: Accumulated Depreciation	<u>(2613317)</u>
Capital assets, net book value	7665497
<b>Total Assets</b>	<b>\$ <u>8363660</u></b>
<b>Liabilities</b>	
Current Liabilities	2038889
Long-term Liabilities	<u>6839656</u>
<b>Total Liabilities</b>	<b>\$ 8878545</b>

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### **Summary of Net Assets: (Continued)**

	<b><u>June 30, 2007</u></b>
<b><u>NET ASSETS SUMMARY (Continued)</u></b>	
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 709668
Restricted for Food Service	0
Restricted for Athletics	0
Restricted for Debt Service	436619
Unrestricted and Undesignated	<u>(1661172)</u>
<b>Total Net Assets</b>	<b>(514885)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>8363660</u></b>

### **Analysis of Financial Position**

During fiscal year ended June 30, 2008, the District's net assets increased by \$ 113,916. A few of the significant factors affecting net assets during the year are discussed below:

#### **A. General Fund Operations**

The District's expenditures from General Fund operations exceeded revenues by \$ 87,169. General Fund revenues decreased by \$ 26,415 from the last fiscal year, while General Fund expenditures increased by \$3,193 from the prior year.

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### **Summary of Net Assets: (Continued)**

#### **B. Debt, Principal Payments**

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	<b>Principal Balance 06/30/07</b>	<b>Principal Payments 06/30/08</b>	<b>Principal Balance 06/30/08</b>
2004 Refunding Bonds	\$ 6915000	\$ 335000	\$ 6580000
Durant School Improvement Bonds	37085	0	37085

#### **C. Net Investment in Capital Assets**

The District's net investment in capital assets is as follows:

	<b>Balance 06/30/07</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/08</b>
Capital Assets	\$ 10278814	\$ 10642	\$ -0-	\$ 10289456
Less: Accumulated Depreciation	<u>(2613317)</u>	<u>(258592)</u>	<u>-0-</u>	<u>(2871909)</u>
<b>Net Investment in Capital Assets</b>	<b>\$ 7665497</b>	<b>\$ (247950)</b>	<b>\$ -0-</b>	<b>\$ 7417547</b>

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### **Results of Operations:**

For the fiscal years ended June 30, 2008 and June 30, 2007, the comparative District-wide results of operations were as follows:

	<b><u>June 30, 2008</u></b>
<b><u>Revenues</u></b>	
<b><i>General Revenues</i></b>	
Property taxes, levied for general operations	\$ 872252
Property taxes, levied for debt service	749774
Other taxes	48566
State Aid, Unrestricted	1300522
Impact Aid	113775
Schools and roads grant	147113
Interest and Investment Earnings	11057
Other general revenues	<u>150847</u>
<b><i>Total General Revenues</i></b>	<b>3393906</b>
<b><i>Operating Grants</i></b>	
Federal	229099
State of Michigan	214598
Other operating grants	<u>0</u>
<b><i>Total Operating Grants</i></b>	<b>443697</b>
<b><i>Charges for Services</i></b>	
Tuition	0
Food Service	48734
Athletics	59689
Other charges for Services	<u>46951</u>
<b><i>Total Charges for Services</i></b>	<b>155374</b>
<b>Total Revenues</b>	<b>\$ 3992977</b>

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### **Results of Operations: (Continued)**

	<b><u>June 30, 2008</u></b>
<b>Expenses</b>	
Instruction	\$ 1875707
Support Services	1226220
Food Services	157747
Athletics	90775
Interest on long-term debt	269773
Other Costs	246
Depreciation (Unallocated)	258593
Intergovernmental payments	<u>0</u>
<b>Total Expenses</b>	<b>\$ 3879061</b>
 <b>INCREASE IN NET ASSETS</b>	 <b>113916</b>
 <b>BEGINNING NET ASSETS</b>	 <b>(514885)</b>
 <b>ENDING NET ASSETS</b>	 <b>\$ <u>(400969)</u></b>

	<b><u>June 30, 2007</u></b>
<b>Revenues</b>	
<b><i>General Revenues</i></b>	
Property taxes, levied for general operations	\$ 802888
Property taxes, levied for debt service	708510
Other taxes	5653
State Aid, Unrestricted	1409318
Impact Aid	149368
Schools and roads grant	151805
Interest and Investment Earnings	9107
Other general revenues	<u>117558</u>
<b><i>Total General Revenues</i></b>	<b>\$ 3354207</b>

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### **Results of Operations: (Continued)**

	<b><u>June 30, 2007</u></b>
<b>Revenues</b>	
<b><i>Operating Grants</i></b>	
Federal	\$ 193113
State of Michigan	247930
Other operating grants	<u>0</u>
<b><i>Total Operating Grants</i></b>	<b>441043</b>
 <b><i>Charges for Services</i></b>	
Tuition	0
Food Service	51180
Athletics	29591
Other Charges for Services	<u>38675</u>
<b><i>Total Charges for Services</i></b>	<b>119446</b>
 <b>Total Revenues</b>	 <b>\$ 3914696</b>
 <b>Expenses</b>	
Instruction	\$ 1725390
Support Services	1282401
Food Services	167806
Athletics	77640
Interest on long-term debt	277843
Other Costs	0
Depreciation (Unallocated)	264769
Intergovernmental payments	<u>0</u>
 <b>Total Expenses</b>	 <b>3795849</b>
 <b>INCREASE IN NET ASSETS</b>	 <b>118847</b>
 <b>BEGINNING NET ASSETS</b>	 <b>(633732)</b>
 <b>ENDING NET ASSETS</b>	 <b>\$ <u>(514885)</u></b>

# ***Ewen – Trout Creek Consolidated Schools***

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### **1. State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count.
- c. The District's non-homestead levy.

### **Per Student Foundation Allowance**

Annually, the State of Michigan establishes the per student foundation allowance. The **Ewen-Trout Creek Consolidated School District's** foundation allowance was \$ 7,204 per student for the 2007-2008 school year.

### **Student Enrollment**

The District's enrollment for state aid membership purposes for 2007-2008 was 319.97 students. The District's enrollment decreased from the prior year's student count. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>
2007-2008	320
2006-2007	331
2005-2006	339
2004-2005	353
2003-2004	347

### **2. Property Taxes Levied for General Operations (General Fund Non-Homestead)**

The District levies 15.8626 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or five percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.



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### **Property Taxes Levied for General Operations (General Fund Non-Homestead) (Continued)**

The District's non-homestead property tax revenue for the 2007-2008 fiscal year was \$ 872,252. The non-homestead property tax levy increased by 8.63 percent over the prior year.

The following summarizes the District's non-homestead property tax levy for the past five years:

	<b><u>Non-Homestead Tax Levy</u></b>	<b><u>Percent Increase From Prior Year</u></b>
2007-2008	872252	8.639
2006-2007	802888	8.760
2005-2006	738191	5.236
2004-2005	701461	1.529
2003-2004	690895	7.014

Average increase from last five years: 6.23%.

### **3. Debt Service Levy**

The District's debt service fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties - both homestead and non-homestead. For the fiscal year ended June 30, 2008, the District's debt millage levy was 8.50 mills, which generated revenue of \$ 749,774.

### **4. Food Sales to Students and Adults (School Lunch Program)**

The District's reported food sales to students decreased by \$ 3,755 from the prior school year. Adult lunches decreased by \$ 731 during this same period. Revenue from Community Action lunches increased by \$1,324 from the prior year. In total, Food Service sales were down by \$2,446 over the prior fiscal year.

# ***Ewen – Trout Creek Consolidated Schools***

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### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in Required Supplemental Information of these financial statements. The highlights are as follows:

	<b>Revenues Original Budget</b>	<b>Revenues Final Budget</b>	<b>Revenues Final Actual</b>	<b>Revenues Variance Actual vs Original Budget</b>	<b>Revenues Variance Actual vs Final Amended Budget</b>
<b>General Fund</b>	\$ 3148299	\$ 2949852	\$ 2990937	\$ (157362)	\$ 41085

	<b>Expenditures Original Budget</b>	<b>Expenditures Final Budget</b>	<b>Expenditures Final Actual</b>	<b>Expenditures Variance Actual vs Original Budget</b>	<b>Expenditures Variance Actual vs Final Budget</b>
<b>General Fund</b>	\$ 2983834	\$ 3050798	\$ 3078106	\$ (94272)	\$ (27308)

### **Major Capital Events and Significant Accomplishments**

During the 2007-2008 school year, the District's accomplishments included:

- Made significant cuts in expenditures through staff reduction.
- Maintained the integrity of all academic programs despite extensive efforts to decrease expenditures through staff reduction and a spending freeze.
- Academically, the Ewen-Trout Creek School had the highest scores in the Gogebic-Ontonagon Intermediate School District on the Michigan Merit Exam administered in March, 2008. Ewen-Trout Creek students outscored the Michigan state average in almost every content area on the MME and MEAP tests.

# ***Ewen – Trout Creek Consolidated Schools***

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### **Major Capital Events and Significant Accomplishments (Continued)**

- Continued to provide extra curricular activities through the enactment of the “Adopt and Away Game” program – providing funding for transportation to all extra curricular events, including all sporting activities.
- Expanded contracts of employment to include members of the Educational Support Association.

### **Goals and Priorities for 2008-2009**

#### ***Goals:***

- Continue to make significant reductions in expenditures to create a major impact on the accumulated operating deficit.
- Continue to maintain high quality academic programs.
- Continue to work on updating the Board of Education Policy Manual.
- Improve communications between administration, Board of Education, school employees, and community.
- Work with a wide variety of resources to find alternative sources of revenue, particularly grants and private funding.

#### ***Priorities:***

- Continued cost reduction in support services and administration.
- Educational staff reductions with minimal negative impact on academic programs.

# ***Ewen – Trout Creek Consolidated Schools***

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### **Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

#### **Ewen-Trout Creek Consolidated School District**

**School Business Office**

**144 Airport Road**

**Ewen, Michigan 49925**

## **BASIC FINANCIAL STATEMENTS**

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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## STATEMENT OF NET ASSETS

*June 30, 2008*

	<u><b>Governmental Activities</b></u>
<b><u>ASSETS</u></b>	
<b><i>Current Assets</i></b>	
Cash and Cash Equivalents (Note 3 )	\$ 659,882
Receivables	
Taxes	19,140
Accounts Receivable	9,376
Due from Other Governmental Units	276,965
Inventories	<u>2,627</u>
<b>Total Current Assets</b>	967,990
Noncurrent Assets	
Capital Assets (Note 5 )	10,289,456
Less: Accumulated Depreciation (Note 5 )	<u>(2,871,909)</u>
<b>Total Noncurrent Assets</b>	<u>7,417,547</u>
<b>TOTAL ASSETS</b>	<b>\$ 8,385,537</b>
<b><u>LIABILITIES</u></b>	
<b><i>Current Liabilities</i></b>	
Accounts Payable	508,028
Accrued Salaries and Benefits	229,720
Compensated Absences - Early Retirement	72,000
Due to External Parties	24,648
Deferred Revenue	3,990
Leases Payable - Short term	288
Loans/Bonds Payable, Due within one year (Note 8 )	<u>1,435,000</u>
<b>Total Current Liabilities</b>	<b>2,273,674</b>
<b><i>Noncurrent Liabilities</i></b>	
Bonds Payable (Note 8 )	6,272,085
Leases Payable - Long term	-
Compensated Absences Payable	<u>240,747</u>
<b>Total Noncurrent Liabilities</b>	<b>6,512,832</b>
<b>TOTAL LIABILITIES</b>	<b>8,786,506</b>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, Net of Related Debt	800,174
Restricted for Food Service	-
Restricted for Athletics	-
Restricted for Debt Services	635,212
Unrestricted and Undesignated	<u>(1,836,355)</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ (400,969)</u></b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

## STATEMENT OF ACTIVITIES

*Year Ended June 30, 2008*

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges</u>	<u>Operating</u>	<u>Activities</u>
		<u>for Services</u>	<u>Grants</u>	<u>Net(Expense)</u>
				<u>Revenue and</u>
				<u>Changes in Net</u>
				<u>Assets</u>
Primary Government -				
Government Activities:				
Instruction	\$ 1,875,707	\$ 4,777	\$ 353,692	\$ (1,517,238)
Support Services	1,226,220	42,174	-	(1,184,046)
Food Services	157,747	48,734	90,005	(19,008)
Athletics	90,775	59,689		(31,086)
Interest on Long-Term Debt	269,773		-	(269,773)
Other Costs	246			(246)
Depreciation (Unallocated)	258,593			(258,593)
Intergovernmental Payments	-			-
	<u>\$ 3,879,061</u>	<u>\$ 155,374</u>	<u>\$ 443,697</u>	<u>\$ (3,279,990)</u>
 Total Governmental Activities				
 General Revenues:				
Taxes:				
Property taxes levied for general operations				872,252
Property taxes levied for debt service				749,774
Other Taxes				48,566
State Aid, Unrestricted				1,300,522
Impact Aid				113,775
Schools and Roads Grant				147,113
Interest and Investment Earnings				11,057
Other				150,847
				<u>3,393,906</u>
 Total General Revenues				3,393,906
 Change in Net Assets				113,916
 NET ASSETS - BEGINNING OF YEAR				(514,885)
 NET ASSETS - END OF YEAR				<u><u>\$ (400,969)</u></u>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**BALANCE SHEET – GOVERNMENTAL FUNDS**

*June 30, 2008*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Investments (Note 3 )	\$ 287,326	\$ 543,560	\$ (171,004)	\$ 659,882
Receivables:				
Taxes	7,182	11,958	-	19,140
Accounts Receivable	7,319	-	2,057	9,376
Due from Other Funds	-	79,694	213,635	293,329
Due from Other Governmental Units	276,965	-	-	276,965
Inventories	-	-	2,627	2,627
Prepaid Expense	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u><u>\$ 578,792</u></u></b>	<b><u><u>\$ 635,212</u></u></b>	<b><u><u>\$ 47,315</u></u></b>	<b><u><u>\$ 1,261,319</u></u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts Payable	485,022	-	23,006	508,028
Deferred Revenue	2,000	-	1,990	3,990
Accrued Salaries and Benefits	222,258	-	7,462	229,720
Due to Other Funds	303,120	-	14,857	317,977
Short-term bonds/notes payable	1,090,000	-	-	1,090,000
<b>TOTAL LIABILITIES</b>	<b><u><u>\$ 2,102,400</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 47,315</u></u></b>	<b><u><u>\$ 2,149,715</u></u></b>
<b><u>FUND BALANCES</u></b>				
Reserved for Food Service	-	-	-	-
Reserved for Athletics	-	-	-	-
Reserved for Debt Service	-	635,212	-	635,212
Unreserved and undesignated	(1,532,608)	-	-	(1,532,608)
<b>TOTAL FUND BALANCES</b>	<b><u><u>\$ (1,523,608)</u></u></b>	<b><u><u>\$ 635,212</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ (888,396)</u></u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u><u>\$ 578,792</u></u></b>	<b><u><u>\$ 635,212</u></u></b>	<b><u><u>\$ 47,315</u></u></b>	<b><u><u>\$ 1,261,319</u></u></b>

The notes to the financial statements are an integral part of this report.



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**GOVERNMENTAL FUNDS**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF  
NET ASSETS**

*June 30, 2008*

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ (888,396)</b>
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and are not  
reported in the funds.

The cost of capital assets is:	10,289,456
Accumulated depreciation is:	(2,871,909)

Long term liabilities are not due and payable  
in the current period and are not reported  
in the funds:

Bonds Payable	(6,617,085)
Leases and other liabilities not reported in the funds	(288)
Compensated Absences/Other Benefits	(312,747)

Other long term assets not available to pay  
current period expenditures therefore  
deferred in the funds

-

<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ (400,969)</u></b>
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The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS**

*June 30, 2008*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUE</u></b>				
Local Revenue	\$ 1,028,884	\$ 803,612	\$ 108,423	\$ 1,940,919
State Revenue	1,466,513	-	10,472	1,476,985
Federal Revenue	410,454	-	79,533	489,987
Interdistrict and Other Sources	85,086	-	-	85,086
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUE</b>	<b>\$ 2,990,937</b>	<b>\$ 803,612</b>	<b>\$ 198,428</b>	<b>\$ 3,992,977</b>
<b><u>EXPENDITURES</u></b>				
Current:				
Instruction	1,854,089			1,854,089
Support Services	1,224,017			1,224,017
Food Services			157,747	157,747
Athletics			90,775	90,775
Debt Service				
Principal		338,456		338,456
Interest and Fees		269,773		269,773
Other costs		246		246
Capital Outlay				-
Intergovernmental Payments				-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,078,106</b>	<b>\$ 608,475</b>	<b>\$ 248,522</b>	<b>\$ 3,935,103</b>
 <b>Excess (Deficiency) of Revenues Over Expenditures</b>	 (87,169)	 195,137	 (50,094)	 57,874
 <b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	-	3,456	50,094	53,550
Operating transfers out	(53,550)	-		(53,550)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>(53,550)</b>	<b>3,456</b>	<b>50,094</b>	<b>-</b>
 <b>Net Change in Fund Balances</b>	 (140,719)	 198,593	 -	 57,874
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>(1,382,889)</b>	<b>436,619</b>	<b>-</b>	<b>(946,270)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ (1,523,608)</b>	<b>\$ 635,212</b>	<b>\$ -</b>	<b>\$ (888,396)</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**GOVERNMENTAL FUNDS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*Year Ended June 30, 2008*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>57,874</b>
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Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures; in  
the statement of activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation Expense	(258,593)
Capital Outlay	10,642

Revenue reported in the statement of activities that does not provide  
current financial resources and are not reported as revenue  
in the governmental funds

-

Repayment of bond principal is an expenditure in the governmental  
funds, but not in the statement of activities (where it reduces  
long term debt)

338,456

(Increases) Decreases in compensated absences are reported as  
expenditures when financial resources are used in the governmental  
funds in accordance with GASB Interpretation No. 6

(10,463)

(Increases) Decreases in long-term employee benefits are reported as  
expenditures when financial resources are used in the governmental  
funds.

(24,000)

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>113,916</b>
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The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**FIDUCIARY FUND**

**STATEMENT OF FIDUCIARY NET ASSETS**

*June 30, 2008*

**ASSETS**

Cash, Deposits, and Investments	\$ 22,974
Due from Other Funds	<u>24,648</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 47,622</u></b>

**LIABILITIES**

Due to Student Groups	<u>47,622</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 47,622</u></b>

The notes to the financial statements are an integral part of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the **Ewen-Trout Creek Consolidated School District** conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (when applicable), which rely to a significant extent on fees and charges for support. All of the District's district-wide activities are considered governmental activities.

The District generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The District may defer the use of restricted assets based on a review of the specific transaction.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**District-wide and Fund Financial Statements  
(Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**District-wide and Fund Financial Statements  
(Continued)**

The criteria applied for designation as a major fund is as follows:

- 1) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for a fund type.
- 2) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Assets, or other element one at a time would have to pass both the 10% test and the 5% test for the fund to be required to be reported as a major fund.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial  
Statement Presentation**

**District-wide Statements**

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial  
Statement Presentation (Continued)**

**Fund-based Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial  
Statement Presentation (Continued)**

**Fund-based Statements (Continued)**

Property taxes, unrestricted State aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following governmental funds:

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial  
Statement Presentation (Continued)**

**Fund-based Statements (Continued)**

***General Fund***

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The General Fund is a major fund for district-wide reporting purposes.

***Capital Project Fund***

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

There is currently no capital projects fund.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial  
Statement Presentation (Continued)**

**Fund-based Statements (Continued)**

***Debt Retirement Fund***

These funds are used to account for the accumulated resources for, and the payment of, general long-term principal, interest, and related cost.

The Debt Retirement Fund is a major fund.

***Special Revenue Funds***

These funds are used to account for the proceeds of specific sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial  
Statement Presentation (Continued)**

**Fund-based Statements (Continued)**

***Special Revenue Funds***

The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Food Services Fund, and Athletic Activity Fund, both of which are considered to be non-major funds.

***Fiduciary Funds***

These funds are used to account for assets held by the School District in a trustee capacity or as an agent.

Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District presently maintains a Student Activities Fund.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair market value.

**Receivables and Payables**

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

**Property Taxes**

Property taxes are levied on July 01 and payable by September 15 each year. They are declared delinquent on March 01 of the following year. Property taxes are recognized when they become available.



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes (Continued)**

The Counties of Houghton and Ontonagon purchase all delinquent real property taxes during the second quarter of each year, resulting in total collection of real property taxes each year.

Delinquent personal property taxes are recorded as receivable if considered to be collectible within 60 days after year-end. For the year ended June 30, the School District had a taxable value of \$93,959,406, on which was levied 15.8626 operating mills (non-homestead only), and 8.5000 mills for debt retirement.

**State Revenue**

The State of Michigan uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**State Revenue (Continued)**

The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts.

The State portion of the foundation is provided primarily by a State education property tax millage of 6.00 mills (on both homestead and non-homestead property) and an allocated portion of the State sales and other taxes.

The local portion of the foundation is funded primarily by non-homestead property taxes levied at a rate of up to 18 mills.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**State Revenue (Continued)**

The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2007 through August 2008. The School District also receives revenue from the State to administer certain categorical education programs.

State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

State, general, and categorical aids are recognized as revenue in the entitlement year. Federal aids for reimbursable programs are recognized as revenues in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenues.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities inventory received by the Food Service Fund is recorded as both revenue and expense in the year received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the district-wide financial statements.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

Capital assets are defined by the government as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contingent Liabilities**

***Unemployment***

Payroll and related withholding and expenses which have been earned by School District employees but not paid as of June 30 are recorded as a liability on the School District's balance sheet.

The School District is a reimbursing employer to the Michigan Employment Security Commission and as such is responsible to pay the Commission for those benefits paid and charged to its accounts. As of June 30, 2008, appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result from claims in process or un-filed.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Compensated Absences***

***Sick Leave***

Sick Leave can accrue for both instructional and non-instructional employees of the School District.

The various employment contracts and agreements covering the School District's personnel allow for the accumulation of earned sick leave as defined. Sick leave accumulates and vests only upon retirement. Employees who leave for any other reason forfeit this benefit. The details of each contract/agreement, as they relate to the accumulation of sick leave benefits, are summarized below:

***Instructional/Administration***

Teachers and administrators employed in the District for a minimum of 5 years shall receive, upon retirement, compensation for unused sick leave up to a maximum of 170 days, calculated at the rate of \$30 per day.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Compensated Absences (Continued)***

***Sick Leave (Continued)***

***Support Staff***

Members of the support staff accumulate sick leave up to a maximum of 150 days.

A minimum of 5 years employment is required to qualify for termination payment, which is calculated at the rate of \$25 per day for up to the maximum total days accumulated. (Maximum of 160 days).

Vested sick pay is recognized as a liability of the School District along with the associated costs of FICA and retirement.

As prescribed by GASB 16, that which could reasonably be expected to be used within the current twelve month period has been recognized and expended in the current period.



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Compensated Absences (Continued)***

**Sick Leave (Continued)**

At June 30, 2008, the accumulated sick leave liability for all employees, including the related costs of FICA and retirement is estimated at \$ 71,941. Short-term benefits likely to be paid within the next 12 month period would result in a current liability of \$ 7,194. It is estimated that the long term liability (calculated at the applicable percentage and rate at retirement) is approximately \$ 64,747.

**Sick Leave Bank**

The School District maintains a reserve of sick leave to provide for extended disability because of personal illness or injury. Teachers that have exhausted their sick leave days and personal days may petition the committee for additional sick leave days from the bank provided there are sufficient days remaining in the bank. The sick leave pool shall not exceed an accumulation of 150 days.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Compensated Absences (Continued)***

**Sick Leave Bank (Continued)**

Because the privilege to draw from the sick leave bank is granted on a case-by-case basis at the discretion of the committee and is not an automatic benefit, benefits accumulated in the sick leave bank are not considered to be a liability of the Ewen-Trout Creek School District.

**Non-Monetary Transactions**

Federal financial assistance received by school districts may include claims for reimbursement on reimbursable meals and milk served, cash in lieu of commodities, USDA donated commodities (both bonus and entitlement), discounts and rebates for the value of USDA donated commodity ingredients contained in processed foods (end products) provided by the state and federal processing program, respectively, and other payments for administrative costs, etc.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Non-Monetary Transactions (Continued)**

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

On this basis, the District recognizes the USDA value of donated commodities (bonus and non-bonus) received and expended in the amount of \$6,592 for entitlement commodities, and bonus commodities of \$ 0.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Non-Monetary Transactions (Continued)**

**Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

At June 30, the District had reserved fund balances as follows:

**Debt Retirement Fund** – Reserved for debt services \$ 635,212.

**Food Services Fund** – Reserved for food services \$ -0-.

**Athletic Activity Fund** – Reserved for athletics \$ -0-.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., level at which expenditures may not legally exceed appropriations) is the function level.

State law requires the District to have its budget in place by July 01. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information (Continued)**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriation in  
Budgetary Funds**

**Budget Violations**

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Excess of Expenditures Over Appropriation in  
Budgetary Funds**

**Budget Violations (Continued)**

The **Ewen-Trout Creek Consolidated School District's** actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Ewen-Trout Creek Consolidated School District** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2007-2008 expenditures for the following activities (cost-centers) exceeded the amended budget allocations by \$ 158,456, contrary to the provisions of Section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".



**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**BUDGET VIOLATIONS (Continued)**

<u>ACTIVITY (COSTCENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<b><u>General Fund</u></b>			
<b><u>Instruction</u></b>			
Special Education	\$ 293844	\$ 290499	\$ 3345
<b><u>Supporting Services</u></b>			
Library	28114	27400	714
Title II Part A & D	38713	16972	21741
Executive Administration	143617	100045	43572
Fiscal & Others	147439	138796	8643
Guidance	38425	36178	2247
Operation and Maintenance	383891	383522	369
<b><u>Fund Modifications</u></b>			
<b><u>Transfer Out:</u></b>			
Food Service Fund	19008	-0-	19008
Athletic Fund	31086	-0-	31086
<b><u>Food Service Fund</u></b>	157747	153857	3890
<b><u>Athletic Fund</u></b>	<u>90775</u>	<u>66934</u>	<u>23841</u>
<b>Total</b>	<b>\$ 1372659</b>	<b>\$ 1214203</b>	<b>\$ 158456</b>

The Ewen-Trout Creek Consolidated School District  
adopted a deficit budget for the 2007-08 fiscal year.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Fund Deficits**

At June 30, 2008, the School District had a deficit in the General Fund of \$ 1,523,608. See note 17 regarding the ability of the District to continue as a going concern.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of the federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

The School District's deposits are in accordance with statutory authority.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

These three levels of risk are as follows:

**Category 1**

Deposits which are insured or collateralized with securities held by the District or its agent in the District's name.

**Category 2**

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

**Category 3**

Deposits which are not collateralized or insured.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Based on these three levels of risk, the District's cash deposits are classified as follows:

	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>	<b>Totals</b>
Cash and Deposits	\$ 100000	\$ -0-	\$ 582856	\$ 682856

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>	<b>Total Primary Government</b>
Cash and cash equivalents	\$ 659882	\$ 22974	\$ 682856
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>659882</u></b>	<b>\$ <u>22974</u></b>	<b>\$ <u>682856</u></b>

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 682856
Investment in securities, mutual funds, and similar vehicles	0
Petty cash/Cash on hand	<u>0</u>
Total	\$ <u>682856</u>

The deposits of the School District were reflected in the accounts of financial institutions at \$ 682,856, of which \$100,000 is covered by federal depository insurance.

**INVESTMENTS**

Credit risk is the risk that issuer or other counterparty to an investment will not fulfill its obligations. Custodial risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (Continued)**

The School District's investments are categorized below to give an indication of the level of risk assumed at year-end.

**Category 1** includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. **Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the School District's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the School District's name.

There are no investments for the School District, as reflected below.

	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>	<b>Carrying Amount</b>	<b>Market Value</b>
Investments	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 4 - RECEIVABLES**

Receivables as of year-end for the School District's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-major and Other Funds</u>	<u>Total</u>
<b>Receivables:</b>			
Taxes	\$ 7182	\$ 11958	\$ 19140
Intergovernmental	276765	-0-	276765
Other	<u>7319</u>	<u>2057</u>	<u>9376</u>
<b>Total Receivables</b>	<b>\$ <u>291266</u></b>	<b>\$ <u>14015</u></b>	<b>\$ <u>305281</u></b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 4 - RECEIVABLES (CONTINUED)**

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payment not considered available	\$ -0-	\$ -0-
Payments received prior to meeting all eligibility requirements	<u>-0-</u>	<u>3990</u>
<b>Total</b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>3990</u></b>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the School District's governmental activities was as follows:



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

	<b>Balance June 30, 2007</b>	<b>Additions</b>	<b>Disposals and Adjustments</b>	<b>Balance June 30, 2008</b>
<b>Assets not being depreciated:</b>				
Land	\$ 4000	\$ -0-	\$ -0-	\$ 4000
<b>Capital assets being depreciated:</b>				
Land Improvements	278878	-0-	-0-	278878
Building and building improvements	8742436	-0-	-0-	8742436
Buses and other vehicles	630336	-0-	-0-	630336
Machinery, furniture, and equipment	<u>623164</u>	<u>10642</u>	<u>-0-</u>	<u>633806</u>
<b>Subtotal</b>	<b>10274814</b>	<b>10642</b>	<b>-0-</b>	<b>10285456</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	118523	13944	-0-	132467
Building and building improvements	1483889	174849	-0-	1658738

(Continued on page 66)

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

(Continued from previous page)

	<b>Balance June 30, 2007</b>	<b>Additions</b>	<b>Disposals and Adjustments</b>	<b>Balance June 30, 2008</b>
<b>Accumulated Depreciation: (Continued)</b>				
Buses and other vehicles	\$ 556892	\$ 21596	\$ -0-	\$ 578488
Machinery, furniture, and equipment	<u>454012</u>	<u>48204</u>	<u>-0-</u>	<u>502216</u>
<b>Subtotal</b>	<b>\$ <u>2613316</u></b>	<b>\$ <u>258593</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>2871909</u></b>
Net capital assets being depreciated	<u>7661498</u>	<u>(247951)</u>	<u>-0-</u>	<u>7413547</u>
<b>Net capital assets</b>	<b>\$ <u>7665498</u></b>	<b>\$ <u>(247951)</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>7417547</u></b>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Do To/From Other Funds:**

The amounts of inter-fund receivables and payables as of  
June 30, 2008 were as follows:

<u><b>Fund</b></u>	<u><b>Inter-fund Receivable</b></u>	<u><b>Inter-fund Payable</b></u>
General Fund	\$ -0-	\$ 303120
Food Service	122915	-0-
Athletic Fund	90720	14857
Debt Retirement	79694	-0-
Trust and Agency Fund	<u>24648</u>	<u>-0-</u>
<b>Totals</b>	<b>\$ <u><u>317977</u></u></b>	<b>\$ <u><u>317977</u></u></b>

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Do To/From Other Funds: (Continued)**

<u>Summary by Fund Classification</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
Major Funds	\$ 79694	\$ 303120
Non-Major Funds	213635	14857
Agency Fund	<u>24648</u>	<u>-0-</u>
<b>Totals</b>	<b>\$ <u><u>317977</u></u></b>	<b>\$ <u><u>317977</u></u></b>

The General Fund transfers monies to other governmental funds as needed to support the activities of the District. The above schedule represents amounts pending at year-end.

**Operating Transfers**

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS  
(CONTINUED)**

**Operating Transfers (Continued)**

During the fiscal year ended June 30, 2008, the District authorized the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -0-	\$ 53550
Food Service Fund	19008	-0-
Athletic Fund	31086	-0-
Debt Retirement	<u>3456</u>	<u>-0-</u>
<b>Totals</b>	<b>\$ <u>53550</u></b>	<b>\$ <u>53550</u></b>

<u>Summary by Fund Classification</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds	\$ 3456	\$ 53550
Non-Major Funds	<u>50094</u>	<u>-0-</u>
<b>Totals</b>	<b>\$ <u>53550</u></b>	<b>\$ <u>53550</u></b>

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

**Operating Transfers (Continued)**

The General Fund transfers monies annually to the Food Services and Athletic Fund to support their activities. The General Fund also transfers to the Debt Retirement Fund amounts sufficient to pay the principal and interest on notes and long-term leases which are not provided for by millage revenue in the Debt Retirement Fund.

**Other Financing Sources (Uses)**

The transfers of cash between various District funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**NOTE 7 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 7 - DEFERRED REVENUE**

At June 30, 2008, there was deferred revenue in the amount of \$ 1,990 in the Food Service Fund and \$ 2,000 in the General Fund.

**NOTE 8 - LONG-TERM DEBT**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk obligations.

Long-term obligation activity can be summarized as follows:

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

<b>Type</b>	<b>Balance June 30, 2007</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2008</b>
Compensated Absences – Long-Term Sick Leave and Related Costs	\$ 54283	\$ 10464	\$ -0-	\$ 64747
2004 Refunding Bonds	6915000	-0-	335000	6580000
Early Retirement Incentives	224000	80000	56000	248000
Durant School Improvement Bonds	37085	-0-	-0-	37085
Blue Bird School Bus Lease	-0-	-0-	-0-	-0-
Canon Copier Lease	<u>3744</u>	<u>-0-</u>	<u>3456</u>	<u>288</u>
<b>Totals</b>	<b>\$ 7234112</b>	<b>\$ 90464</b>	<b>\$ 394456</b>	<b>\$ 6930120</b>



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**COMPENSATED ABSENCES**

**LONG-TERM SICK LEAVE AND RELATED COSTS**

At June 30, 2008, the School District's estimated liability for long-term sick leave, plus the related costs of FICA, Medicare, and retirement was \$ 64,747.

**EARLY RETIREMENT INCENTIVE**

The liability for Early Retirement Incentive payments is payable as follows:

2008-09	\$	72,000
2009-10		72,000
2010-11		72,000
2011-12		16,000
2012-13		16,000
<b>Total</b>	<b>\$</b>	<b>248,000</b>

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**2004 REFUNDING BONDS**

On March 02, 2004, the **Ewen-Trout Creek Consolidated School District** issued 2004 Refunding Bonds in the amount of \$ 7,875,000. Bonds were issued for the purpose of refunding the callable 1995 School Building and Site Bonds dated November 01, 1995 and maturing in the years May 01, 2005 through May 01, 2020, and May 01, 2025.

The bonds are a full faith and credit unlimited tax general obligation of the School District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the School District without limitation as to rate or amount.

The School District has designated the bonds as "Qualified Tax Exempt Obligations" under Section 265 (b) (3) (B) of the Internal Revenue code of 1986, as amended.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**2004 REFUNDING BONDS (Continued)**

A refunding plan was established, whereby a portion of Bond proceeds together with other funds of the School District were used to establish and fund an Escrow to provide for payment of principal and interest and redemption premiums on the Prior Bonds. The Escrow Fund was held by the escrow agent pursuant to an Escrow Agreement which irrevocably directs the escrow agent to make all payments of principal and interest and redemption premiums on the Prior Bonds and to take all necessary steps to call Prior Bonds for redemption on the first call date.

The bonds dated March 02, 2004, are subject to redemption prior to maturity at the option of the Issuer in the manner and the time as set forth in the Bonds, are of \$ 5,000 denominations or any integral multiple thereof, mature serially on May 01 of each year, bearing interest payable on November 01, 2004, and semi-annually thereafter on May 01 and November 01 of each year in the amounts and rates as follows:

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**2004 REFUNDING BONDS (Continued)**

	<u>May</u>		<u>November</u>	<u>Total</u>	<u>Rate</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>		
2008	\$	\$	\$ 130280.01	\$ 130280.01	2.250%
2009	345000.00	130280.01	125105.01	600385.02	3.000%
2010	355000.00	125105.01	119558.13	599663.14	3.125%
2011	365000.00	119558.13	113398.75	597956.88	3.375%
2012	380000.00	113398.75	106748.75	600147.50	3.500%
2013	395000.00	106748.75	99342.50	601091.25	3.750%
2014	395000.00	99342.50	91442.50	585785.00	4.000%
2015	395000.00	91442.50	84135.00	570577.50	3.700%
2016-2020	1975000.00	342366.25	302273.75	2619640.00	3.850-4.250%
2021-2024	1975000.00	133114.94	89072.25	2197187.19	4.350-4.550%
<b>Total</b>	<b>\$ <u>6580000.00</u></b>	<b>\$ <u>1261356.84</u></b>	<b>\$ <u>1261356.65</u></b>	<b>\$ <u>9102713.49</u></b>	

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**1998 SCHOOL IMPROVEMENT BOND-DURANT  
SETTLEMENT**

On November 24, 1998, the School District, through the Michigan Municipal Bond Authority (MMBA), issued \$62,807 of School Improvement Bonds, Series 1998 bonds as part of the Durant vs. State of Michigan case settlement. The bond proceeds and the expenditures were accounted for in the Capital Projects Fund. All transactions were in accordance with the provisions of the *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, specifically Section 135a of Act 451, Public Acts of Michigan 1976 with a separate report issued in a prior year on the bond activity. The interest and principal payments are to be appropriated annually by the State of Michigan and paid directly to the MMBA for the School District.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**1998 SCHOOL IMPROVEMENT BOND-DURANT  
SETTLEMENT (Continued)**

If the State of Michigan has insufficient funds to appropriate, the School District is under no obligation to make the interest and principal payments. The bonds bear an interest rate of 4.76%.

In the event that the Authority elects to adjust the interest rates payable on this bond, the Authority may prepare and substitute a new payment schedule reflecting such adjustment, a copy of which shall be sent to the School District and to the Authority's depository.

The Michigan Municipal Bond Authority has determined that certain payments of principal installments and interest which were due on May 15, 2007 and May 15, 2008 shall be deferred until a later date, which is reflected in the new payment schedule.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**1998 SCHOOL IMPROVEMENT BOND-DURANT  
SETTLEMENT (Continued)**

<b>Payment Dates Due on May 15</b>	<b>Principal</b>	<b>Interest</b>	<b>May 10, 2007 (Revised)</b>
2009	\$ 3495.39	\$ 915.19	\$ 4410.58
2010	21525.28	8108.02	29633.30
2011	3836.05	574.42	4410.47
2012	4018.47	391.77	4410.24
2013	<u>4209.74</u>	<u>200.44</u>	<u>4410.18</u>
<b>Total</b>	<b>\$ 37084.93</b>	<b>\$ 10189.84</b>	<b>\$ 47274.77</b>

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**Canon Copier Lease**

On July 29, 2004, the **Ewen-Trout Creek Consolidated School District** entered into a lease purchase agreement with Canon Financial Services, Inc. to purchase a copier. There are forty eight payments of \$ 288.00 per month starting in July 2004, with a \$ 1.00 purchase option at the end of the lease term. The total contract amount was \$13,824.00.

**NOTE 9 - SHORT-TERM STATE AID ANTICIPATION NOTE**

The note of \$ 1,092,000 from the Michigan Municipal Bond Authority was due on August 20, 2007, with an interest rate of 3.68%.



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 9 - SHORT-TERM STATE AID ANTICIPATION NOTE (CONTINUED)**

This note was paid in full on August 20, 2007, with proceeds from the issuance of a new note in the amount of \$ 1,090,000 from the Michigan Municipal Bond Authority. The new note carries a rate of interest of 6.00% and matures on August 20, 2008.

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 11 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN**

The School District contributes to the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension administered by the Michigan Department of Management and Budget, Office of Retirement Systems.

MPERS provides retirement, survivor, and disability benefits to public school employees. Eligibility and benefit provisions are governed under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The annual report may be obtained by calling (517) 322-5103 or writing:

Department of Management and Budget  
Office of Retirement Systems  
P.O. Box 30673  
Lansing, Michigan 48909-8103

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 11 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN  
(CONTINUED)**

The School District is required by state statute to contribute 17.74% of covered payroll from July 01, 2007 through September 30, 2007 decreasing to 16.74% from October 01, 2007 through June 30, 2008. Contributions to MPSERS are determined on an actuarial basis using the entry age normal actuarial cost method. Contribution requirements of plan members including the School District are established and may be amended only by state statute.

The School District's contributions to MPSERS for the years ending June 30, 2008, 2007, and 2006, were \$264,156, \$281,627, and \$291,460, respectively.

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 01, 1990, contribute at a permanently fixed rate of 3.9% of gross wages.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 11 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN  
(CONTINUED)**

The MIP contribution rate was 4.0% from January 01, 1987, the effective date of the MIP, until January 01, 1990, when it was reduced to 3.9%.

Members first hired January 1, 1990 or later and returning members who did not work between January 01, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$ 5,000; 3.6% of \$ 5,001 through \$ 15,000; 4.3% of all wages over \$ 15,000. Basic Plan members make no contributions. Contributions collected and remitted by the School District on behalf of MIP members for the years ending June 30, 2008, 2007, and 2006 were \$44,699, \$46,349, and \$49,750 respectively, equal to the required contributions for the year.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 12 – MEA FINANCIAL 403B PLAN**

Effective September 21, 2005, the **Ewen-Trout Creek Consolidated School District** established a 403B Plan through MEA Financial for the purpose of providing a program that permits the school system to pay special forms of compensation, such as employee sick pay, annual leave, and severance/bonus pay in a tax-advantaged manner. The employee group stated to participate in the 403B Plan through MEA Financial consists of the Ewen-Trout Creek Administrative positions.

**NOTE 13 - POST EMPLOYMENT BENEFITS**

In addition to the pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 14 - RELATED PARTY TRANSACTIONS**

*Related parties* exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements. On this basis, there were no related party transactions reported in the financial statements.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 15 - SUBSEQUENT EVENTS**

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2008, there were no subsequent events that would have a significant effect on the School District's operations.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

The School District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2008*

**NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2008 may be impaired.

In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 17 – GOING CONCERN**

As shown in the accompanying financial statements, the Ewen-Trout Creek Consolidated School District's General Fund has incurred recurring losses from operations, and as of June 30, 2008, the School District's General Fund liabilities exceeded its assets by \$ 1,523,608. This raises substantial doubt about the School District's ability to continue as a going concern. Management is working to develop a revised deficit elimination plan, which will be filed with the Michigan Department of Education. The accompanying financial statements do not include any adjustments that might be necessary if the School District is unable to continue as a going concern.



## **REQUIRED SUPPLEMENTAL INFORMATION**

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**REQUIRED SUPPLEMENTAL INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

*YEAR ENDED JUNE 30, 2008*

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>
<b><u>REVENUE</u></b>			
Local Sources	\$ 1,046,908	\$ 1,032,610	\$ 1,028,884
State Sources	1,590,312	1,449,233	1,466,513
Federal Sources	453,979	382,568	410,454
Interdistrict and Other Sources	<u>57,100</u>	<u>85,441</u>	<u>85,086</u>
<b>TOTAL REVENUE</b>	<b>3,148,299</b>	<b>2,949,852</b>	<b>2,990,937</b>
<b><u>EXPENDITURES - CURRENT</u></b>			
<b><i>Instruction :</i></b>			
Basic Programs	1,360,488	1,422,233	1,388,987
Added Needs	446,528	472,959	465,102
<b><i>Supporting Services :</i></b>			
Pupil	41,680	36,178	38,425
Instructional Staff	43,615	52,636	75,046
General Administration	139,353	126,010	169,094
School Administration	164,611	160,642	158,126
Business Services	92,242	138,796	147,439
Operation and Maintenance	413,066	383,522	383,891
Transportation	282,251	257,822	251,996
Other Supporting Services	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>2,983,834</b>	<b>3,050,798</b>	<b>3,078,106</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In	-	-	-
Operating Transfers Out	(8,895)	(3,456)	(53,550)
<b>NET CHANGE IN FUND BALANCE</b>	155,570	(104,402)	(140,719)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>(1,382,889)</u>	<u>(1,382,889)</u>	<u>(1,382,889)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><b>\$ (1,227,319)</b></u>	<u><b>\$ (1,487,291)</b></u>	<u><b>\$ (1,523,608)</b></u>

The notes to the financial statements are an integral part of this report.

## **OTHER SUPPLEMENTAL INFORMATION**

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**OTHER SUPPLEMENTAL INFORMATION**

**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**

*JUNE 30, 2008*

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Athletics</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Investments (Note 3 )	\$ (95,141)	\$ (75,863)	\$ (171,004)
Accounts Receivable	2,057	-	2,057
Due from Other Funds	122,915	90,720	213,635
Inventories	<u>2,627</u>	<u>-</u>	<u>2,627</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 32,458</u></b>	<b><u>\$ 14,857</u></b>	<b><u>\$ 47,315</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>			
Accounts Payable	23,006	-	23,006
Accrued Salaries and Benefits	7,462	-	7,462
Deferred Revenue	1,990	-	1,990
Due to Other Funds	<u>-</u>	<u>14,857</u>	<u>14,857</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 32,458</u></b>	<b><u>\$ 14,857</u></b>	<b><u>\$ 47,315</u></b>
<b><u>FUND BALANCES</u></b>			
Reserved for Food Services	-	-	-
Reserved for Athletics	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 32,458</u></b>	<b><u>\$ 14,857</u></b>	<b><u>\$ 47,315</u></b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**OTHER SUPPLEMENTAL INFORMATION**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

*YEAR ENDED JUNE 30, 2008*

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Athletics</u>	<u>Total</u>
<b><u>REVENUE</u></b>			
Local Revenue	\$ 48,734	\$ 59,689	\$ 108,423
State Revenue	10,472	-	10,472
Federal Revenue	79,533	-	79,533
<b>TOTAL REVENUE</b>	<b>\$ 138,739</b>	<b>\$ 59,689</b>	<b>\$ 198,428</b>
<b><u>EXPENDITURES</u></b>			
<b><u>Current</u></b>			
Salaries	42,139	29,775	71,914
Insurance	36,303	-	36,303
Fringe Benefits	10,686	7,229	17,915
Purchased Services	410	25,360	25,770
Supplies and Materials	67,094	18,461	85,555
Other	1,115	9,950	11,065
<b>TOTAL EXPENDITURES</b>	<b>\$ 157,747</b>	<b>\$ 90,775</b>	<b>\$ 248,522</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(19,008)</b>	<b>(31,086)</b>	<b>(50,094)</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Operating transfers in	19,008	31,086	50,094
Operating transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 19,008</b>	<b>\$ 31,086</b>	<b>\$ 50,094</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**ALL SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET**

*JUNE 30, 2008*

	<b>FOOD SERVICE FUND</b>	<b>ATHLETIC ACTIVITY FUND</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
Cash and Deposits	\$ (95,141)	\$ (75,863)	\$ (171,004)
Account Receivable	2,057	-	2,057
Due from Other Funds	122,915	90,720	213,635
Inventory	2,627	-	2,627
<b>TOTAL ASSETS</b>	<b>32,458</b>	<b>14,857</b>	<b>47,315</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>LIABILITIES</u></b>			
Accounts Payable	23,006	-	23,006
Accrued Salaries	5,999	-	5,999
Accrued Benefits	1,463	-	1,463
Due to Other Funds	-	14,857	14,857
Deferred Revenue	1,990	-	1,990
<b>TOTAL LIABILITIES</b>	<b>32,458</b>	<b>14,857</b>	<b>47,315</b>
<b><u>FUND EQUITY</u></b>			
Fund Balance, Reserved	-	-	-
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 32,458</b>	<b>\$ 14,857</b>	<b>\$ 47,315</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**ALL SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES**

*FISCAL YEAR ENDED JUNE 30, 2008*

	<b>FOOD SERVICE FUND</b>	<b>ATHLETIC ACTIVITY FUND</b>	<b>TOTAL</b>
<b><u>REVENUES</u></b>			
<b>Local Sources</b>			
Food Sales	\$ 39,879	\$ -	\$ 39,879
Milk and Other Receipts	8,855	-	8,855
Admission and Other Receipts	-	59,689	59,689
<b>State Sources</b>			
Restricted Grants	10,472	-	10,472
<b>Federal Sources</b>			
Restricted Grants - Received through State	79,533	-	79,533
<b>TOTAL REVENUES</b>	<b>138,739</b>	<b>59,689</b>	<b>198,428</b>
<b><u>OTHER FINANCING SOURCES</u></b>			
Transfers From General Fund	19,008	31,086	50,094
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>157,747</b>	<b>90,775</b>	<b>248,522</b>
<b><u>EXPENDITURES</u></b>			
Professional Salaries	-	28,126	28,126
Nonprofessional Salaries	42,139	1,649	43,788
Insurance	36,303	-	36,303
FICA/Retirement	10,309	7,229	17,538
Other Benefits	377	-	377
Purchased Services	410	25,360	25,770
Supplies and Materials	67,094	18,461	85,555
Other	1,115	9,950	11,065
<b>TOTAL EXPENDITURES</b>	<b>157,747</b>	<b>90,775</b>	<b>248,522</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, JULY 1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**GENERAL FUND - COMPARATIVE BALANCE SHEET**

*JUNE 30, 2008*

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
Cash and Deposits	\$ 287,326	\$ 172,784
Taxes Receivable	7,182	13,190
Accounts Receivable :		
Federal Sources	4,927	-
State Sources	272,038	252,196
Other	7,319	2,364
Prepaid Expenses	<u>-</u>	<u>114</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 578,792</u></b>	<b><u>\$ 440,648</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts Payable	485,022	269,016
Accrued Salaries	172,895	181,509
Accrued Benefits	49,363	49,575
Due To Other Funds	303,120	231,437
Deferred Revenue	2,000	-
Bonds / Notes Payable	<u>1,090,000</u>	<u>1,092,000</u>
<b>TOTAL LIABILITIES</b>	<b>2,102,400</b>	<b>1,823,537</b>
<b><u>FUND EQUITY</u></b>		
Unreserved	<u>(1,523,608)</u>	<u>(1,382,889)</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 578,792</u></b>	<b><u>\$ 440,648</u></b>

The notes to the financial statements are an integral part of this report.



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF REVENUES - ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/07
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<b><u>REVENUES</u></b>				
<b><u>LOCAL SOURCES</u></b>				
Current Tax Levy	\$ 872,252	\$ 883,800	\$ (11,548)	\$ 802,888
Other Taxes	8,982	-	8,982	-
Penalties and Interest on				
Delinquent Taxes	6,920	7,500	(580)	4,882
Interest Income	1,091	1,200	(109)	2,083
Other	139,639	140,110	(471)	112,543
<b>TOTAL REVENUES FROM LOCAL SOURCES</b>	<b>1,028,884</b>	<b>1,032,610</b>	<b>(3,726)</b>	<b>922,396</b>
<b><u>STATE SOURCES</u></b>				
State School Aid	1,300,522	1,288,412	12,110	1,409,318
Isolated Districts	10,234	-	10,234	
At Risk	66,320	69,988	(3,668)	76,730
Special Education	75,807	81,980	(6,173)	115,696
State Aid Restricted/Durant	6,281	6,281	-	6,281
Middle School Math Initiative	-	-	-	3,856
Renaissance Zone	2,572	2,572	-	1,649
Vocational Education	-	-	-	2,606
State-Tutoring Program	4,777	-	4,777	14,776
<b>TOTAL REVENUES FROM STATE SOURCES</b>	<b>1,466,513</b>	<b>1,449,233</b>	<b>17,280</b>	<b>1,630,912</b>
<b><u>FEDERAL SOURCES</u></b>				
Title I	96,500	99,460	(2,960)	71,064
Title II A & D	46,717	35,508	11,209	26,961
Title V	1,422	1,222	200	1,034
REAP Grant	4,927	4,927	-	4,332
Impact Aid	113,775	94,336	19,439	149,368
Schools and Roads Grant	147,113	147,115	(2)	151,805
Service Provider Self Review	-	-	-	4,000
<b>TOTAL REVENUES FROM FEDERAL SOURCES</b>	<b>410,454</b>	<b>382,568</b>	<b>27,886</b>	<b>408,564</b>
<b>TOTAL REVENUE</b>	<b>\$ 2,905,851</b>	<b>\$ 2,864,411</b>	<b>\$ 41,440</b>	<b>\$2,961,872</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF REVENUES - ACTUAL COMPARED TO  
BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	<u>FISCAL YEAR ENDED JUNE 30, 2008</u>			<u>FISCAL YEAR ENDED 6/30/07</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
<b><u>OTHER FINANCING SOURCES</u></b>				
Payments From Other				
Governmental Units :				
Federal Sources	\$       -	\$       -	\$       -	\$       263
State Sources	42,912	44,912	(2,000)	31,318
Other Sources	<u>42,174</u>	<u>40,529</u>	<u>1645</u>	<u>23,899</u>
 <b>TOTAL OTHER FINANCING     SOURCES</b>	 <u><b>85,086</b></u>	 <u><b>85,441</b></u>	 <u><b>(355)</b></u>	 <u><b>55,480</b></u>
 <b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	 <u><b>\$ 2,990,937</b></u>	 <u><b>\$ 2,949,852</b></u>	 <u><b>\$ 41,085</b></u>	 <u><b>\$3,017,352</b></u>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL  
COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008  
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	<b>FISCAL YEAR ENDED JUNE 30, 2008</b>			<b>FISCAL YEAR ENDED 6/30/2007</b>
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE Favorable (Unfavorable)</b>	
<b><u>INSTRUCTION</u></b>				
<b><u>BASIC PROGRAMS</u></b>				
<b>Elementary School</b>				
Professional Salaries	\$ 353,310	\$ -	\$ -	\$ 363,855
Nonprofessional Salaries	11,296			14,846
Insurance	106,531			84,990
FICA / Retirement	112,906			121,831
Other Benefits	6,699			432
Purchased Services	12,100			24,687
Supplies and Materials	12,009			9,657
Capital Outlay	7,026			-
Other	1,318			3,223
<b>Total Elementary School</b>	<b>623,195</b>	<b>640,716</b>	<b>17,521</b>	<b>623,521</b>
<b>High/Middle School</b>				
Professional Salaries	456,540	-	-	425,165
Insurance	134,497			98,552
FICA / Retirement	134,661			123,923
Other Benefits	4,706			-
Purchased Services	13,088			22,582
Supplies and Materials	13,318			14,712
Capital Outlay	3,616			4,332
Other	1,510			6,278
Middle School Math	3,856			2,696
<b>Total High/Middle School</b>	<b>765,792</b>	<b>781,517</b>	<b>15,725</b>	<b>698,240</b>
<b>Preschool</b>				
Professional Salaries	-	-	-	3,267
FICA / Retirement	-			1,396
Supplies and Materials	-			23
Other	-			377
<b>Total Preschool</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,063</b>
<b>TOTAL BASIC PROGRAMS</b>	<b>\$ 1,388,987</b>	<b>\$ 1,422,233</b>	<b>\$ 33,246</b>	<b>\$ 1,326,824</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL  
COMPARED TO BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008  
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)	
<b><u>INSTRUCTION (Continued)</u></b>				
<b><u>ADDED NEEDS</u></b>				
<b>Special Education</b>				
Professional Salaries	\$ 86,591	\$ -	\$ -	\$ 108,744
Nonprofessional Salaries	63,587			44,708
Insurance	85,343			59,403
FICA / Retirement	44,872			46,361
Other Benefits	1,006			519
Purchased Services	11,906			17,950
Supplies and Materials	70			252
Other	469			180
<b>Total Special Education</b>	<b>293,844</b>	<b>290,499</b>	<b>(3,345)</b>	<b>278,117</b>
<b>At Risk</b>				
Professional Salaries	38,806	-	-	47,116
Nonprofessional Salaries	1,903			-
Insurance	16,922			20,072
FICA / Retirement	9,940			9,542
Other Benefits	198			-
<b>Total At Risk</b>	<b>67,769</b>	<b>70,054</b>	<b>2,285</b>	<b>76,730</b>
<b>Compensatory Education</b>				
<b>Title I</b>				
Professional Salaries	69,646	-	-	62,652
Nonprofessional Salaries	5,658			12,803
Insurance	23,342			14,246
FICA / Retirement	3,658			18,921
Other Benefits	597			43
Supplies and Materials	588			400
<b>Total Compensatory Education</b>	<b>\$ 103,489</b>	<b>\$ 112,406</b>	<b>\$ 8,917</b>	<b>\$ 109,065</b>
<b>TOTAL ADDED NEEDS</b>	<b>465,102</b>	<b>472,959</b>	<b>7,857</b>	<b>463,912</b>
<b>TOTAL INSTRUCTION</b>	<b>\$ 1,854,089</b>	<b>\$ 1,895,192</b>	<b>\$ 41,103</b>	<b>\$ 1,790,736</b>

The notes the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL  
COMPARED TO BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)	
<b><u>SUPPORTING SERVICES</u></b>				
<b><u>STUDENT SERVICES</u></b>				
Guidance				
Professional Salaries	21,510	-	-	24,666
Insurance	10,630			8,120
FICA / Retirement	5,298			6,223
Other Benefits	97			34
Purchased Services	509			387
Supplies and Materials	16			166
Other	365			-
<b>Total Guidance</b>	<b>38,425</b>	<b>36,178</b>	<b>(2,247)</b>	<b>39,596</b>
 <b>TOTAL STUDENT SERVICES</b>	 <b>38,425</b>	 <b>36,178</b>	 <b>(2,247)</b>	 <b>39,596</b>
 <b><u>INSTRUCTIONAL STAFF</u></b>				
Library				
Nonprofessional Salaries	12,169	-	-	14,704
Insurance	11,927			7,841
FICA / Retirement	3,010			3,777
Other Benefits	12			34
Purchased Services	387			362
Supplies and Materials	412			1,162
Other	197			-
<b>Total Library</b>	<b>\$ 28,114</b>	<b>\$ 27,400</b>	<b>\$ (714)</b>	<b>\$ 27,880</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL  
COMPARED TO BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)	
<b><u>SUPPORTING SERVICES (Continued)</u></b>				
<b><u>INSTRUCTIONAL STAFF (Continued)</u></b>				
<b>School Improvement</b>				
Nonprofessional Salaries	\$ 2,489	\$ -	\$ -	\$ -
FICA/Retirement	605			-
Purchased Services	3,018			-
Other	885			3,148
<b>Total School Improvement</b>	<b>6,997</b>	<b>6,997</b>	<b>-</b>	<b>3,148</b>
<b>Title II Part A &amp; D</b>				
Professional Salaries	7,817	-	-	15,405
Insurance	4,847			985
FICA/Retirement	17,074			1,012
Purchased Services	7,235	-	-	7,200
Supplies	1,665			2,829
Other	75			133
<b>Total Title II Part A &amp; D</b>	<b>38,713</b>	<b>16,972</b>	<b>(21,741)</b>	<b>27,564</b>
<b>Title V</b>				
Professional Salaries	1,222			1,034
Insurance	-			209
Supplies and Materials	-			-
<b>Total Title V</b>	<b>1,222</b>	<b>1,267</b>	<b>45</b>	<b>1,243</b>
<b>TOTAL INSTRUCTIONAL STAFF</b>	<b>\$ 75,046</b>	<b>\$ 52,636</b>	<b>\$ (22,410)</b>	<b>\$ 59,835</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL  
COMPARED TO BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)	
<b><u>SUPPORTING SERVICES (Continued)</u></b>				
<b><u>GENERAL ADMINISTRATION</u></b>				
<b>Board of Education</b>				
Nonprofessional Salaries	\$ 1,710	\$ -	\$ -	\$ 1,950
Insurance	3,285			3,539
Purchased Services	17,185			21,717
Supplies and Materials	232			210
Other	3,065			1,685
<b>Total Board of Education</b>	<b>25,477</b>	<b>25,965</b>	<b>488</b>	<b>29,101</b>
<b>Executive Administration</b>				
Professional Salaries	58,236	-	-	77,647
Nonprofessional Salaries	5,619			11,045
Insurance	16,754			15,640
FICA / Retirement	59,259	-	-	22,422
Other Benefits	187			1,816
Purchased Services	1,022			1,218
Supplies and Materials	965			862
Capital Outlay	-			-
Other	1,575			1,359
<b>Total Executive Administration</b>	<b>143,617</b>	<b>100,045</b>	<b>(43,572)</b>	<b>132,009</b>
<b>TOTAL GENERAL ADMINISTRATION</b>	<b>\$ 169,094</b>	<b>\$ 126,010</b>	<b>\$ (43,084)</b>	<b>\$ 161,110</b>
<b><u>SCHOOL ADMINISTRATION</u></b>				
<b>Office of the Principal</b>				
Professional Salaries	\$ 77,092	\$ -	\$ -	\$ 80,045
Nonprofessional Salaries	22,063			21,591
Insurance	31,784			27,275
FICA / Retirement	24,381	-	-	25,723
Other Benefits	427			68
Purchased Services	1,337			1,559
Supplies and Materials	931			1,548
Other	111	-	-	1,323
<b>Total Office of the Principal</b>	<b>158,126</b>	<b>160,642</b>	<b>2,516</b>	<b>159,132</b>
<b>TOTAL SCHOOL ADMINISTRATION</b>	<b>\$ 158,126</b>	<b>\$ 160,642</b>	<b>\$ 2,516</b>	<b>\$ 159,132</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL  
COMPARED TO BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	<u>FISCAL YEAR ENDED JUNE 30, 2008</u>			<u>FISCAL YEAR ENDED 6/30/2007</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>	
<b><u>SUPPORTING SERVICES (Continued)</u></b>				
<b><u>BUSINESS SERVICES</u></b>				
<b>Fiscal and Others</b>				
Nonprofessional Salaries	\$ 21,031	\$ -	\$ -	\$ 23,298
Insurance	12,399			10,358
FICA/Retirement	5,143			5,910
Other Benefits	9,796			-
Purchased Services	30,193	-	-	37,818
Supplies and Materials	-			-
Interest and Fees	40,249			19,279
Tax Judgements / Chargebacks	12,376			4,550
Other	16,252			1,695
<b>Total Fiscal and Others</b>	<b>147,439</b>	<b>138,796</b>	<b>(8,643)</b>	<b>102,908</b>
<b>TOTAL BUSINESS SERVICES</b>	<b>147,439</b>	<b>138,796</b>	<b>(8,643)</b>	<b>102,908</b>
<b><u>OPERATIONS AND MAINTENANCE</u></b>				
Nonprofessional Salaries	89,926	-	-	110,847
Insurance	74,625			70,178
FICA / Retirement	21,773			28,143
Other Benefits	740	-	-	901
Purchased Services	162,982			211,867
Supplies and Materials	33,845			35,488
Capital Outlay	-			-
Other	-			65
<b>TOTAL OPERATIONS AND MAINTENANCE</b>	<b>\$ 383,891</b>	<b>\$ 383,522</b>	<b>\$ (369)</b>	<b>\$ 457,489</b>
<b><u>PUPIL TRANSPORTATION</u></b>				
Nonprofessional Salaries	\$ 96,621	\$ -	\$ -	\$ 131,814
Insurance	71,135			64,617
FICA / Retirement	30,695			33,198
Other Benefits	1,096	-	-	956
Purchased Services	6,279			24,129
Supplies and Materials	44,714			47,010
Other	1,456			2,383
<b>TOTAL PUPIL TRANSPORTATION</b>	<b>251,996</b>	<b>257,822</b>	<b>5,826</b>	<b>304,107</b>
<b>TOTAL SUPPORTING SERVICES</b>	<b>1,224,017</b>	<b>1,155,606</b>	<b>(68,411)</b>	<b>1,284,177</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,078,106</b>	<b>\$ 3,050,798</b>	<b>\$ (27,308)</b>	<b>\$ 3,074,913</b>

The notes to the financial statements are an integral part of this report.



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL  
COMPARED TO BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)	
<b><u>OTHER FINANCING USES</u></b>				
<b>Fund Modifications</b>				
Transfer to Food Services	\$ 19,008	\$ -	\$ (19,008)	\$ 21,373
Transfer to Athletic Fund	31,086		(31,086)	48,049
Transfer to Debt Service	3,456	3,456	-	18,082
<b>Total Fund Modifications</b>	<b>53,550</b>	<b>3,456</b>	<b>(50,094)</b>	<b>87,504</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 3,131,656</b>	<b>\$ 3,054,254</b>	<b>\$ (77,402)</b>	<b>\$ 3,162,417</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**FOOD SERVICE FUND - COMPARATIVE BALANCE SHEET**

*JUNE 30, 2008 and 2007*

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
Cash and Deposits	\$ (95,141)	\$ (45,525)
Account Receivable	2,057	1,586
Inventory	2,627	1,712
Due from Other Funds	<u>122,915</u>	<u>64,393</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 32,458</u></b>	<b><u>\$ 22,166</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts Payable	23,006	14,341
Accrued Salaries	5,999	5,271
Accrued Benefits	1,463	1,265
Deferred Revenue	<u>1,990</u>	<u>1,289</u>
<b>TOTAL LIABILITIES</b>	<b>32,458</b>	<b>22,166</b>
<b><u>FUND EQUITY</u></b>		
Fund Balance, Reserved	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 32,458</u></b>	<b><u>\$ 22,166</u></b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**FOOD SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008  
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	<b>FISCAL YEAR ENDED JUNE 30, 2008</b>			<b>FISCAL YEAR ENDED 6/30/07</b>
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>	
<b>REVENUES</b>				
<b>Local Sources</b>				
Student Lunches / Breakfast	\$ 36,921	\$ -	\$ -	\$ 40,676
Adult Lunches	2,958			3,689
Milk	600			547
Community Action Lunches	5,888			4,564
Other	2,367	-	-	1,704
<b>Total Local Sources</b>	<b>48,734</b>	<b>50,000</b>	<b>(1,266)</b>	<b>51,180</b>
<b>State Sources</b>				
School Lunch Program	10,472	-	-	9,794
<b>Total State Sources</b>	<b>10,472</b>	<b>11,186</b>	<b>(714)</b>	<b>9,794</b>
<b>Federal Sources</b>				
Restricted - Received through State	72,941	-	-	77,020
USDA Entitlement Commodities	6,592			8,370
USDA Bonus Commodities	-	-	-	69
<b>Total Federal Sources</b>	<b>79,533</b>	<b>84,079</b>	<b>(4,546)</b>	<b>85,459</b>
<b>TOTAL REVENUES</b>	<b>138,739</b>	<b>145,265</b>	<b>(6,526)</b>	<b>146,433</b>
<b>Other Financing Sources</b>				
Transfer from General Fund	19,008	8,592	10,416	21,373
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$157,747</b>	<b>\$153,857</b>	<b>\$ 3,890</b>	<b>\$167,806</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**FOOD SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – ACTUAL COMPARED TO BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	<u>FISCAL YEAR ENDED JUNE 30, 2008</u>			<u>FISCAL YEAR ENDED 6/30/07</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
<b><u>EXPENDITURES</u></b>				
Nonprofessional Salaries	\$ 42,139	\$ -	\$ -	\$ 42,201
Insurance	36,303			45,463
FICA/Retirement	10,309			10,436
Other Benefits	377			172
Purchased Services	410			1,147
Supplies and Materials	67,094			67,646
Capital Outlay	-			-
Other	1,115	-	-	741
<b>TOTAL EXPENDITURES</b>	<b>\$157,747</b>	<b>\$153,857</b>	<b>\$ (3,890)</b>	<b>\$167,806</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	-
FUND BALANCE, JULY 1	-			-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ -</b>			<b>\$ -</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**ATHLETIC FUND - COMPARATIVE BALANCE SHEET**

*JUNE 30, 2008 and 2007*

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
Cash and Deposits	\$ (75,863)	\$ (37,277)
Due from Other Funds	<u>90,720</u>	<u>52,134</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 14,857</u></b>	<b><u>\$ 14,857</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>LIABILITIES</u></b>		
Due to Other Funds	<u>14,857</u>	<u>14,857</u>
<b>TOTAL LIABILITIES</b>	<b>14,857</b>	<b>14,857</b>
<b><u>FUND EQUITY</u></b>		
Fund Balance, Reserved	<u>-</u>	<u>-</u>
<b>TOTAL FUND EQUITY</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 14,857</u></b>	<b><u>\$ 14,857</u></b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**SPECIAL REVENUE FUND – ATHLETIC FUND -STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008  
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	<b>FISCAL YEAR ENDED JUNE 30, 2008</b>			<b>FISCAL YEAR ENDED 6/30/07</b>
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>	
<b><u>REVENUES</u></b>				
<b>Local Sources</b>				
General Admissions	\$ 17,732	\$ -	\$ -	\$ 14,161
Other Revenue	22,093			938
Pop / Vending Machines	13,124			14,429
Donations	6,630			-
Interest	110			63
<b>Total Local Sources</b>	<b>59,689</b>	<b>30,575</b>	<b>29,114</b>	<b>29,591</b>
<b>Other Financing Sources</b>				
Transfer from General Fund	31,086	36,359	(5,273)	48,049
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>90,775</b>	<b>66,934</b>	<b>23,841</b>	<b>77,640</b>
<b><u>EXPENDITURES</u></b>				
Professional Salaries	28,126	-	-	40,835
Nonprofessional Salaries	1,649			3,236
FICA/Retirement	7,229			9,954
Purchased Services	25,360			9,594
Supplies and Materials	18,461			11,036
Capital Outlay	-			-
Other	9,950			2,985
<b>TOTAL EXPENDITURES</b>	<b>\$ 90,775</b>	<b>\$ 66,934</b>	<b>\$ (23,841)</b>	<b>\$ 77,640</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	0	-	0	-
FUND BALANCE, JULY 1	-			-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 0</b>			<b>\$ -</b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**DEBT SERVICE FUND - COMPARATIVE BALANCE SHEET**

*JUNE 30, 2008 and 2007*

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
Cash and Deposits	\$ 543,560	\$ 322,339
Taxes Receivable	11,958	14,680
Due From Other Funds	<u>79,694</u>	<u>99,600</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 635,212</u></b>	<b><u>\$ 436,619</u></b>
 <b><u>FUND EQUITY</u></b>		
Fund Balance, Reserved	<u>635,212</u>	<u>436,619</u>
<b>TOTAL FUND EQUITY</b>	<b><u>\$ 635,212</u></b>	<b><u>\$ 436,619</u></b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
--

**DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	<u>2008</u>	<u>2007</u>
<b><u>REVENUES</u></b>		
<b>Local Sources</b>		
Property Taxes	\$ 749,774	\$ 708,510
Other Taxes	39,584	5,653
Penalties and Interest on Taxes	4,288	133
Interest	<u>9,966</u>	<u>7,024</u>
<b>Total Local Sources</b>	<b>803,612</b>	<b>721,320</b>
<b>State Sources</b>		
Durant	<u>-</u>	<u>-</u>
<b>Total State Sources</b>	<b>-</b>	<b>-</b>
<b>TOTAL REVENUES</b>	<b>803,612</b>	<b>721,320</b>
<b><u>EXPENDITURES</u></b>		
<b>2004 Refunding Bonds</b>		
Principal	335,000	330,000
Interest	<u>269,773</u>	<u>277,197</u>
Total 2004 Refunding Bonds	604,773	607,197
<b>Blue Bird Bus Lease</b>		
Principal	-	13,980
Interest	<u>-</u>	<u>646</u>
Total Blue Bird Bus Lease	\$ -	\$ 14,626

The notes to the financial statements are an integral part of this report.



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – ACTUAL COMPARED TO BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008  
*(With Comparative Totals for Fiscal Year Ended June 30, 2007)*

	<u>2008</u>	<u>2007</u>
<b><u>EXPENDITURES (Continued)</u></b>		
<b>Copier Lease</b>		
Capital Lease	<u>\$ 3,456</u>	<u>\$ 3,456</u>
<b>Other Expenditures</b>		
Fees	246	-
 <b>TOTAL EXPENDITURES</b>	 <b>\$ 608,475</b>	 <b>\$ 625,279</b>
 Excess of Revenues Over (Under) Expenditures	 \$ 195,137	 \$ 96,041
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Operating Transfers In (Out)	\$ 3,456	\$ 18,082
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 198,593	 114,123
 FUND BALANCE, JULY 1	 <u>436,619</u>	 <u>322,496</u>
 FUND BALANCE, JUNE 30	 <u><u>\$ 635,212</u></u>	 <u><u>\$ 436,619</u></u>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**TRUST AND AGENCY FUND – STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND  
FUND BALANCE**

*FISCAL YEAR ENDED JUNE 30, 2008*

	<u>BALANCE JUNE 30, 2007</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2008</u>
<b><u>ASSETS</u></b>				
Cash and Deposits	\$ 15,017	\$ 71,813	\$ 63,856	\$ 22,974
Due from General Fund	15,310	185	5,704	9,791
Due from Athletic Fund	14,857	-	-	14,857
<b>TOTAL ASSETS</b>	<b><u>\$ 45,184</u></b>	<b><u>\$ 71,998</u></b>	<b><u>\$ 69,560</u></b>	<b><u>\$ 47,622</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
<b><u>LIABILITIES</u></b>				
Student Activities	45,184	71,998	69,560	47,622
<b>TOTAL LIABILITIES</b>	<b>45,184</b>	<b>71,998</b>	<b>69,560</b>	<b>47,622</b>
<b>FUND EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 45,184</u></b>	<b><u>\$ 71,998</u></b>	<b><u>\$ 69,560</u></b>	<b><u>\$ 47,622</u></b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**TRUST AND AGENCY FUND - STATEMENT OF RECEIPTS AND DISBURSEMENTS**

*FISCAL YEAR ENDED JUNE 30, 2008*

	<b>BALANCE JUNE 30, 2007</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>BALANCE JUNE 30, 2008</b>
<b><u>ASSETS</u></b>				
Cash and Deposits	\$ 15,017	\$ 71,813	\$ 63,856	\$ 22,974
Due from General Fund	15,310	185	5,704	9,791
Due from Athletic Fund	14,857	-	-	14,857
<b>TOTAL ASSETS</b>	<b><u>\$ 45,184</u></b>	<b><u>\$ 71,998</u></b>	<b><u>\$ 69,560</u></b>	<b><u>\$ 47,622</u></b>
<b><u>LIABILITIES</u></b>				
Band	3,554	3,940	3,875	3,619
Volleyball Gate	384	2,491	1,754	1,121
Class of 2003	171	-	-	171
Class of 2004	1,736	-	-	1,736
Class of 2005	41	-	-	41
Class of 2006	1,613	-	300	1,313
Class of 2007	(428)	-	361	(789)
Class of 2008	221	1,233	1,159	295
Class of 2009	2,282	2,154	4,263	173
Class of 2010	906	272	34	1,144
Class of 2011	1,063	-	-	1,063
Class of 2012	1,114	-	56	1,058
Class of 2013	(46)	-	-	(46)
Class of 2014	-	7,050	6,748	302
Drama Club	(22)	22	-	-
Flower Fund	123	-	-	123
Great Western Conference	(20)	-	-	(20)
Student Council	(266)	895	666	(37)
Yearbook	(4,448)	-	-	(4,448)
Million \$ Project	4,572	1,198	-	5,770
Miscellaneous	(908)	120	-	(788)
Christmas Candy	36	100	-	136
Elementary Basketball	958	600	1,000	558
Pencils	488	291	124	655
Ronald McDonald Grant	131	-	-	131
Sixth Grade Camp	2,917	-	-	2,917
General Elementary	3,448	1,290	1,500	3,238
Outdoor Education	1,154	6,275	3,961	3,468
Girls Basketball	1,825	4,147	3,243	2,729
Football	(2,869)	6,730	6,775	(2,914)
Cheerleaders	513	706	1,222	(3)
Summer League Basketball	279	1,244	450	1,073
PMC Tournaments	(8)	-	-	(8)
Band Choir	2,489	1,901	3,207	1,183
Band Trip	4,978	-	-	4,978

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**TRUST AND AGENCY FUND – STATEMENT OF RECEIPTS AND DISBURSEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2008*

	<b>BALANCE JUNE 30, 2007</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>BALANCE JUNE 30, 2008</b>
<b><u>LIABILITIES (Continued)</u></b>				
Varsity Boys Basketball	\$ (385)	\$ 125	\$ 117	\$ (377)
Third Grade Computer Education	200	-	-	200
Art	405	188	15	578
Summer Baseball	400	248	769	(121)
Yearbook - Harges	2,412	-	-	2,412
Computer Class	419	-	-	419
Teen Asset Group	158	164	306	16
French Club	(1,774)	9,333	7,541	18
WTU / Shop Field Trips	300	-	-	300
Jessica Urbis School Fund	500	-	500	-
School Store	571	1,224	735	1,060
Science/Math Fund	327	100	295	132
Trade Scholarship	600	400	-	1,000
Yearbook 2006	2,438	-	-	2,438
Yearbook 2007	9,096	1,360	11,457	(1,001)
Yearbook 2008	-	16,197	6,900	9,297
Computers for Education	1,536	-	227	1,309
	<u>1,536</u>	<u>-</u>	<u>227</u>	<u>1,309</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 45,184</u></b>	<b><u>\$ 71,998</u></b>	<b><u>\$ 69,560</u></b>	<b><u>\$ 47,622</u></b>

The notes to the financial statements are an integral part of this report.

<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**PROPERTY TAX DATA**

*FOR THE YEAR ENDED JUNE 30, 2008*

<u>YEAR LEVIED</u>	<u>LEVY</u>	<u>COLLECTIONS AND ADJUSTMENTS</u>	<u>BALANCE JUNE 30, 2008</u>
<b>GENERAL FUND</b>			
2007-08	\$ 872,251	\$ 867,991	\$ 4,260
2006-07	802,887	799,965	2,922
2005-06	738,191	738,191	-
2004-05	701,461	701,461	-
2003-04	690,895	690,895	-
<b>TOTAL GENERAL FUND</b>	<b>\$ 3,805,685</b>	<b>\$ 3,798,503</b>	<b>\$ 7,182</b>
<b>DEBT RETIREMENT FUND</b>			
2007-08	749,774	744,852	4,922
2006-07	708,510	707,128	1,382
2005-06	646,583	644,983	1,600
2004-05	601,320	600,444	876
2003-04	691,955	688,777	3,178
<b>TOTAL DEBT RETIREMENT</b>	<b>\$ 3,398,142</b>	<b>\$ 3,386,184</b>	<b>\$ 11,958</b>
<b>TOTAL ALL FUNDS</b>	<b>\$ 7,203,827</b>	<b>\$ 7,184,687</b>	<b>\$ 19,140</b>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

BOARD OF EDUCATION  
**Ewen-Trout Creek Consolidated School District**  
14312 AIRPORT ROAD  
EWEN, MICHIGAN 49925

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's basic financial statements and have issued our report thereon dated November 05, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards prescribed by the State Treasurer.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing opinions on the effectiveness of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control. We consider the deficiencies described as (2008-01, 2008-02, and 2005-14C) in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

#### Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Responses.

We noted certain additional matters that we reported to management of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, in a separate letter dated November 05, 2008.

The **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

November 05, 2008



<b>EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT</b>
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**SCHEDULE OF FINDINGS AND RESPONSES**

*FOR THE YEAR ENDED JUNE 30, 2008*

**SIGNIFICANT DEFICIENCIES**

**2005-14C Student Activities**

*Finding:* Advisors or the person in charge are not currently maintaining their own ledgers detailing the amounts of earnings, expenditures, and year-end balances in their accounts.

*Response:* The District will continue its efforts to assure that every group activity comply with the requirement, without exception.

**2008-01**

**Ability to Prepare Financial Statements and Related Note Disclosures**

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Board members. The School District relies on auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Board members review and accept the financial statements on behalf of the School District. The hiring of additional personnel to prepare the financial statement would not be cost effective.

***Recommendation***

Members of the Board should remain involved in the financial reporting process to provide an oversight function. School officials agree and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

**2008-02**

**Audit Adjustments**

The School District relies in its auditors to prepare year-end non-recurring journal entries to adjust its financial statements. Board members review and accept the adjusting entries on behalf of the District.

***Recommendation***

Members of the Board should continue to review and approve the non-recurring entries. School officials agree and will continue to use the auditor's assistance in preparing year-end adjusting journal entries.

# ***DS Rostagno, CPA, P.C.***

*101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042*

## **BOARD OF EDUCATION**

### **Ewen-Trout Creek Consolidated School District**

Ewen, Michigan 49925

In planning and performing the audit of the financial statements of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the school's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express an opinion on the effectiveness of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. They are divided into three categories: significant deficiencies, material weaknesses, and other matters.

## **MATERIAL WEAKNESSES**

There are no matters to report.

**SIGNIFICANT DEFICIENCIES**

**New Comments**

**2008-01 Findings**

**Ability to Prepare Financial Statements and Related Note Disclosures**

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Board members. The School District relies on auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Board members review and accept the financial statements on behalf of the School District. The hiring of additional personnel to prepare the financial statements would not be cost effective.

**Recommendation**

Members of the Board should remain involved in the financial reporting process to provide an oversight function. School Board officials agree and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

**2008-02 Findings**

**Audit Adjustments**

The School District relies on its auditors to prepare year-end non-recurring journal entries to adjust its financial statements. Board members review and accept the adjusting entries on behalf of the School District.

**Recommendation**

Members of the Board should continue to review and approve the non-recurring journal entries. School officials agree and will continue to use the auditor's assistance in preparing year-end adjusting journal entries.

**SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS**

**STUDENT ACTIVITIES**

**2005-14C Findings**

All records pertaining to various student activities are reported and maintained in the central office. Student groups generally lack the knowledge of the amount of earnings, expenditures, and year-end balances in their accounts. Therefore, there is no method to confirm transactions or balances in any group activity. Detection of clerical errors, posting errors, or fraud is therefore far more difficult.

**SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS (Continued)**

**STUDENT ACTIVITIES (Continued)**  
**2005-14C Findings**

**Recommendation**

It was previously recommended that each student group maintain its own set of accounting records, keeping a running total of all fund-raising revenues, expenses, and ending cash balances. At year-end, these records should be turned in to the office of the principal, where they are to be held for safe-keeping. These records should then be made available to provide an independent confirmation of activities and balances at the time of the audit.

Signatures of group advisors should be provided at year-end to confirm their agreement with these accounting methods.

**Every group activity should be required to comply with this requirement, without exception.**

**Resolution**

Although compliance has improved slightly, this problem is not yet resolved. Every group activity is not currently complying with the past recommendations that each group needs to maintain its own detailed ledger.

**Continued Recommendation**

There needs to be continued efforts made for each group activity to maintain its own set of accounting records. Each group activity needs to comply with this requirement, without exception.

**OTHER MATTERS**

**BUDGETARY**

**2004-10 Findings**

Over the several prior fiscal years, the School District has incurred expenditures in excess of the amounts appropriated. During the 2005-06 and 2006-07 years, the District adopted a deficit budget for the General Fund.

**Ewen-Trout Creek Consolidated School District**

Page Four

**BUDGETARY (Continued)**

**2004-10 Findings (Continued)**

**Recommendation**

It was recommended that closer monitoring be done in regards to budgetary appropriations and expenditures.

**Resolution**

During the 2007-08 year, expenditures have again exceeded appropriated amounts for many function categories. The School District once again adopted a deficit budget.

**Continued Recommendation**

Closer monitoring is required in regards to budgetary appropriations and expenditures. The School District should amend the budget as necessary.

**GENERAL FUND DEFICIT**

**2004-11 Findings**

The School District has had a deficit in the General Fund for the last several years.

**Recommendation**

It was recommended that a deficit elimination plan be formulated, and the Michigan Department of Education be notified.

**Resolution**

The School District notified the Michigan Department of Education and properly filed the deficit elimination plan as required.

However, the General Fund's deficit increased during the 2007-08 fiscal year, from a deficit of \$1,382,889 to a deficit of \$1,523,608.

**Current Recommendation**

The School District must again notify the Michigan Department of Education of this situation, and file the required deficit elimination plan.

The General Fund deficit must be monitored and eliminated over time, and the deficit elimination plan must be closely followed in order to achieve this goal.

**Ewen-Trout Creek Consolidated School District**

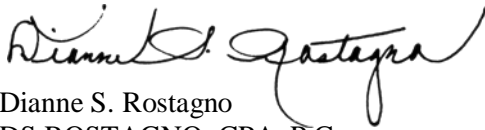
Page Five

This letter does not affect our report dated November 05, 2008 on the financial statements of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate school administration and staff, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, or to assist you in implementing the recommendations.

It has been a pleasure working with the administration and staff, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

This communication is intended solely for the information and use of management, those charged with governance, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized "R" and "S".

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

November 05, 2008